

# The Canadian Furniture Industry Presents Opportunities for U.S. Hardwoods

By Lashonda McLeod

**U.S.** exports of hardwood logs, lumber and veneer to Canada increased steadily over the last decade since NAFTA (the North American Free Trade Agreement) went into effect. Expanding furniture production in Canada has fueled these exports. Canadian furniture manufacturers are becoming more dependent on U.S. hardwoods.



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NAFTA provides incentives for buying within the North American region and ensures that North American producers receive the primary benefits of all newly established tariff preferences. Because of NAFTA, U.S. hardwood lumber exports to Canada increased from \$246 million in 1995 to \$347.5 million in 2002. The United States is Canada's No. 1 source of hardwood lumber. In 2002, the U.S. share of Canadian imports was 95 percent. Canada's hardwood lumber imports exceed its domestic production.

Canada re-exports U.S. hardwood lumber to other markets in the form of Canadian furniture.

## Status of the Furniture Industry

Canada produces a wide array of furniture products for the world market. In 2002, Canada exported \$3.7 billion worth of residential, office and institutional furniture to the United States.

The Canadian furniture industry has undergone substantial consolidation during the past 10 years. The number of furniture manufacturing plants decreased by 32 percent between 1990 and 1999, from 2,571 to 1,748. However, total employment and



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average establishment size grew, 56 percent and 69 percent, respectively. Production is composed of household furniture (including mattresses), office and institutional furniture, kitchen cabinets, counter tops and other manufactured products.

Exports have been an engine for growth as Canadian furniture exports increased by 383 percent between 1992 and 2001, including substantial export growth to the United States.

The province of Quebec has a vibrant hardwood lumber and processing industry using both domestic and imported woods. In 1999, Quebec furniture industry shipments amounted to \$2.0 billion. Approximately half of that was destined for export. Canadian furniture manufac-

## LARGELY BECAUSE OF NAFTA, U.S. HARDWOOD LUMBER EXPORTS TO CANADA ROSE FROM \$246 MILLION IN 1995 TO \$347.5 MILLION IN 2002.

turers export most of their products to the United States and the European Union. Quebec's furniture industry export orientation increased dramatically between 1991 and 1999.

### Export Opportunities for U.S. Firms

Canada's furniture industry has grown despite consolidation in the sector. Growth was fueled by housing starts, growing nonresidential construction, growth in home renovations and record low interest rates. The booming housing market has led to increased employment in the furniture manufacturing industry and increased demand for furniture.

NAFTA provides an incentive for Canadian furniture manufacturers who re-export their products to the United

### Canadian Furniture Exports to the United States

Category	1995	1996	1997	1998	1999	2000	2001	2002
\$ Million								
Wooden Office	141	199	280	351	393	452	393	377
Wooden Kitchen	151	205	264	312	392	476	517	551
Wooden Bedroom	176	217	278	314	369	418	418	409
<b>Total</b>	<b>468</b>	<b>621</b>	<b>822</b>	<b>977</b>	<b>1,154</b>	<b>1,346</b>	<b>1,328</b>	<b>1,337</b>

States and Mexico. Under NAFTA rules of origin, goods that originate in Canada, Mexico or the United States gain duty-free access to the U.S. market.

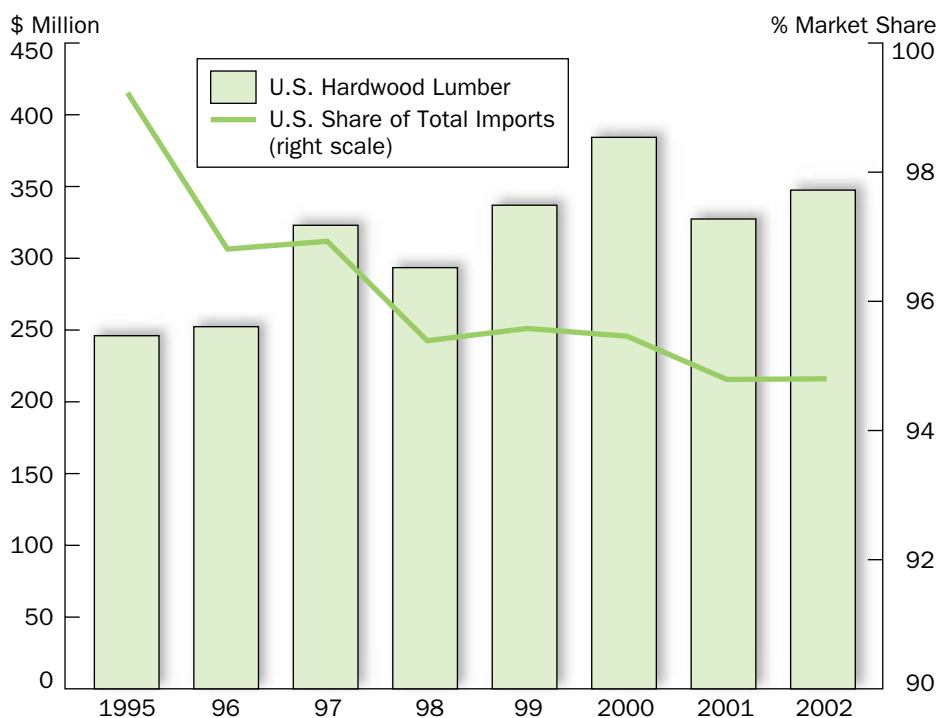
For example, a wooden chair manufactured and assembled in Canada from a combination of NAFTA-originating and non-NAFTA-originating components can be considered to be a NAFTA product if the chair meets the specific rules of

origin. If all materials and components were sourced from a NAFTA country, the chair qualifies as NAFTA-originating, and no duties would be owed.

Canada's household furniture industry is known for transforming value-added materials, such as hardwood lumber, into finished consumer goods. Its primary strength is wooden furniture production. Moreover, U.S. household furniture products such as home entertainment furniture, wall units, chairs and sofas, ergonomic furniture and outdoor furniture are well received in Canada.

The Canadian household furniture industry has done well in the United States because of the elimination of duties on U.S.-origin products. The statistics have shown that the majority of the U.S. hardwood lumber exports to Canada are not being re-exported, as U.S. lumber is being used in Canada, either in its original form or as inputs for other (value-added or further manufactured) products. ■

### Canadian Imports of U.S. Hardwood Lumber Have Climbed, Although the U.S. Share of the Total Market Has Dropped



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